

Fiscal Services Division

Legislative Services Agency

Fiscal Note

HF 2302 - Gambling (LSB 6473 H-8147.3)

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Fiscal Note Version – As Amended and Passed by the House - Revised

Description

House File 2302, as amended and passed by the House, changes the gaming tax rates, allows for table games at all racetrack casinos, allows for conversion of a riverboat to a barge, provides for prepayment of taxes upon the issuance of a table gaming license at a racetrack casino, and provides for a cash payment from the racetracks for settlement of the Supreme Court Decision.

Assumptions

1. The Revision is based on the March 19, 2004, Revenue Estimating Conference estimate.
2. The Racing and Gaming Commission (Commission) estimates that table gaming licenses would not be purchased until at least the later half of FY 2005 and that there would be little or no increased gaming tax revenues until FY 2006. No racetrack casinos will apply for a table games license in FY 2005 and that Prairie Meadows and Bluffs Run will apply for a license and operate table games for the full year in FY 2006.
3. Establishes a differential tax on racetrack casinos of 22.0% on those below \$100.0 million in adjusted gross revenues (AGR) and 24.0% on those above \$100.0 million in AGR. All gambling boats will pay a tax rate of 22.0%.
4. Should Bluffs Run racetrack casino decide not to expand with table games, its tax rate would then be 22.0% of AGR. However, according to the Bill, whether or not Dubuque or Prairie Meadows adds table games, their rates would remain 22.0% and 24.0% respectively.
5. The new tax rate retains the current tax rate of 5.0% on the first \$1.0 million and 10.0% on the next \$2.0 million of AGR.
6. Without the proposed change in tax rate, the amount of State Gaming Tax receipts is estimated to be \$186.2 million.
7. The State will receive a one-time payment of a gambling games tax (\$24.2 million), retroactive to July 1, 2002, of 22.0% of adjusted gross revenues from racetracks with an AGR of less than \$100.0 million and 24.0% for racetracks with an AGR over \$100.0 million. This section takes effect upon enactment. This rate continues through the end of FY 2004.
8. Upon issuance of a table gaming license, racetracks with an AGR below \$100.0 million will pay a \$3.0 million license fee for adding table games, and a track with an AGR above \$100.0 million will pay a license fee of \$10.0 million. This application fee may be used as a tax credit on future taxes owed to the State up to 20.0% per year over a five-year period.
9. Provides an increase in the allocation of gaming tax receipts to the Gambler's Treatment Fund of 0.2%, bringing the allocation to 0.5% of AGR.
10. Increases the contribution from the State lottery to the Gambler's Treatment Fund from 0.3% to 0.5% of the gross lottery revenue.
11. Establishes a new allocation of gaming tax receipts for a County Endowment Fund in the State treasury under control of the Department of Revenue of 0.5% of AGR. These funds would be disbursed to counties in which no gaming license has been issued.

Correctional Impact

The correctional impact of HF 2302, as amended and passed by the House, cannot be determined due to insufficient information. However, a person under age 21 who is caught gambling at a racetrack casino or gambling boat is guilty of a scheduled violation with a fine of \$500. Based on the level of convictions for similar offenses under current law, the impact is not expected to be significant.

Fiscal Impact

House File 2302, as amended and passed by the House, will generate \$24.2 million in one-time racetrack receipts in FY 2004 from the retroactive tax due to the settlement of the Supreme Court Decision.

In FY 2005 the Bill will generate an estimated \$201.8 million in State Gaming Tax receipts, an increase of \$15.6 million compared to current law. In FY 2006 the Bill will generate an estimated \$217.4 million in State Gaming Tax receipts, an increase of \$31.2 million compared to current law.

Prairie Meadows and Bluffs Run will pay the licensing fee for table games in FY 2006 and operate table games for the full year generating \$20.0 million for the General Fund in one-time license fees. Beginning in FY 2007 these racetrack casinos will take the full tax credit of 20.0% each year over a five-year period. This will result in a reduction in estimated receipts of \$4.0 million from net State Gaming Tax receipts annually for FY 2007 through FY 2011.

Gaming Tax receipts to cities and counties would remain at 0.5% of adjusted gross receipts (\$5.0 million each) and the Gambler's Treatment Fund and the new Community Endowment Fund would also receive 0.5% (\$5.0 million each).

Changing from an admissions tax to a regulatory fee for regulation of the racetrack casinos will result in a reduction in receipts to the Rebuild Iowa Infrastructure Fund of \$600,000 in FY 2005.

The increase from 0.3% to 0.5% of gross lottery revenue will result in an estimated \$349,000 increase for the Gambler's Treatment Fund and an equal reduction to the General Fund.

Sources

Racing and Gaming Commission
Legislative Services Agency
Department of Human Rights, Criminal and Juvenile Justice Planning Division

Dennis C Prouty

April 5, 2004

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

Exhibit 1

FY 2003 – FY 2006
Wagering Tax Receipt Comparisons
and Allocation Distributions

	FY 2003		FY 2004		Total FY 03 & 04
	AGR	20%	AGR	20%	Back Taxes
Bluffs Run - Slots	\$ 123,141,471	\$ 22,677,455	\$ 125,600,000	\$ 23,137,200	\$ 9,949,659
Table Games					
Dubuque - Slots	41,335,064	7,379,657	43,900,000	7,859,300	1,704,701
Table Games					
Prairie Meadows - Slots	150,421,234	27,778,771	163,200,000	30,168,400	12,544,849
Table Games					
Total Tracks	<u>\$ 314,897,769</u>	<u>\$ 57,835,883</u>	<u>\$ 332,700,000</u>	<u>\$ 61,164,900</u>	<u>\$ 24,199,209</u>
Riverboats	\$ 665,092,334	\$ 120,872,266	\$ 702,600,000	\$ 127,886,200	
Total	<u>\$ 979,990,103</u>	<u>\$ 178,708,149</u>	<u>\$ 1,035,300,000</u>	<u>\$ 189,051,100</u>	<u>\$ 24,199,209</u>
Admissions/Pari Mutuel Tax		\$ 3,931,416		\$ 3,973,100	
Total Taxes and Admission Fees		<u>\$ 182,639,565</u>		<u>\$ 193,024,200</u>	
Allocations					
General Fund		\$ 60,000,000		\$ 60,000,000	
Vision Iowa		15,000,000		15,000,000	
School Infrastructure		5,000,000		5,000,000	
Endowment for Iowa's Health Account		75,000,000		70,000,000	
Rebuild Iowa Infrastructure Fund		27,639,565		43,024,200	\$ 24,199,209
Secure an Advanced Vision for Ed.					
Rebuild Iowa Infrastructure Fund					
Total		<u>\$ 182,639,565</u>		<u>\$ 193,024,200</u>	<u>\$ 24,199,209</u>
Total Rebuild Iowa Infrastructure Fund		\$ 27,639,565		\$ 43,024,200	\$ 24,199,209

	FY 2005			FY 2006		
	AGR	Current Law 20%	HF2302 24%/22%	AGR	Current Law 20%	HF2302 24%/22%
Bluffs Run - Slots	\$ 123,682,000	\$ 22,778,534	\$ 24,326,400	\$ 123,682,000	\$ 22,778,534	\$ 26,740,040
Table Games				15,000,000		3,300,000
Dubuque - Slots	41,819,000	7,470,153	7,953,800	41,819,000	7,470,153	7,953,800
Table Games						
Prairie Meadows - Slots	157,581,000	29,117,647	34,197,820	157,581,000	29,117,647	34,197,820
Table Games				45,000,000		9,900,000
Total Tracks	<u>\$ 323,082,000</u>	<u>\$ 59,366,334</u>	<u>\$ 66,478,020</u>	<u>\$ 383,082,000</u>	<u>\$ 59,366,334</u>	<u>\$ 82,091,660</u>
Riverboats	\$ 697,080,000	\$ 126,853,960	\$ 135,316,000	\$ 697,080,000	\$ 126,853,960	\$ 135,316,000
Total	<u>\$ 1,020,162,000</u>	<u>\$ 186,220,294</u>	<u>\$ 201,794,020</u>	<u>\$ 1,080,162,000</u>	<u>\$ 186,220,294</u>	<u>\$ 217,407,660</u>
Admissions/Pari Mutuel Tax		\$ 3,973,100	\$ 3,368,100		\$ 3,973,100	\$ 3,368,100
Total Taxes and Admission Fees		<u>\$ 190,193,394</u>	<u>\$ 205,162,120</u>		<u>\$ 190,193,394</u>	<u>\$ 220,775,760</u>
Allocations						
General Fund		\$ 60,000,000	\$ 60,000,000		\$ 60,000,000	\$ 60,000,000
Vision Iowa		15,000,000	15,000,000		15,000,000	15,000,000
School Infrastructure		5,000,000	5,000,000		5,000,000	5,000,000
Endowment for Iowa's Health Account		70,000,000	70,000,000		70,000,000	70,000,000
Rebuild Iowa Infrastructure Fund		40,193,394	47,000,000		40,193,394	47,000,000
Secure an Advanced Vision for Ed.			8,162,120			10,000,000
Rebuild Iowa Infrastructure Fund						13,775,760
Total		<u>\$ 190,193,394</u>	<u>\$ 205,162,120</u>		<u>\$ 190,193,394</u>	<u>\$ 220,775,760</u>
Total Rebuild Iowa Infrastructure Fund		\$ 40,193,394	\$ 47,000,000		\$ 40,193,394	\$ 60,775,760

NOTES:

1. Includes reductions of 0.5% for payments to cities, counties, Gambler's Treatment Fund, and new County Endowment Fund.
2. Tax receipts maintain the tax rate of 5.0% on the first \$1.0 million of adjusted gross receipts and 10.0% tax rate on the next \$2.0 million.
3. Total back taxes of \$24,199,209 are allocated to the Rebuild Iowa Infrastructure Fund in FY 2004, of which \$11.8 million is attributable to FY 2003 back taxes.